

VALI COOPER AND ASSOCIATES, INC.

Audit Report

TRANSPORTATION AUTHORITY OF MARIN CONTRACT NO. C-FY07/08-008

January 1, 2007, through February 29, 2008



JOHN CHIANG
California State Controller

May 2008



JOHN CHIANG
California State Controller

May 28, 2008

Douglas Gibson
Audits and Investigations (MS 2)
California Department of Transportation
P.O. Box 942874
Sacramento, CA 94274-0001

Dear Mr. Gibson:

The State Controller's Office has completed a pre-award audit of Vali Cooper and Associates, Inc.'s proposed costs under Contract No. C-FY07/08-008 with the Transportation Authority of Marin for the period of January 1, 2007, through February 29, 2008.

Our pre-award audit determined that the required fiscal provisions are included in the agreement. In addition, the consultant's proposed costs—except for the indirect cost rate of 153% proposed in the contract, which is higher than the audited rate of 151.35%—are reasonable in relation to actual historical costs and estimating procedures, and that its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs.

If you have any questions, please call Andrew M. Finlayson, Chief, State Agency Audits Bureau, at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB:wm:vb

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Audit Report

Summary

The State Controller's Office (SCO) has completed a pre-award audit of Vali Cooper and Associates, Inc.'s proposed Contract No. C-FY07/08-008 with the Transportation Authority of Marin for the period of January 1, 2007, through February 29, 2008.

Our pre-award audit determined that the required fiscal provisions are included in the agreement. In addition, the consultant's proposed costs—except for the indirect cost rate of 153% proposed in the contract, which is higher than the audited rate of 151.35%—are reasonable in relation to actual historical costs and estimating procedures, and that its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs.

Background

The Transportation Authority of Marin received a contract proposal (Contract No. C-FY07/08-008) from Vali Cooper and Associates, Inc. (consultant) to provide preliminary engineering and environmental services on the US 101 Marin-Sonoma Narrows project (EA No. 26400). The proposed contract shall commence on the date agreed to by the contracting parties and shall terminate on June 30, 2010; the total amount shall exceed not \$1,200,000. Reimbursement for this contract is to be paid based on actual costs plus a fixed fee equal to a percentage of the actual costs. The consultant will not be reimbursed for actual costs that exceed the estimated wage rates, employees' benefits, travel, equipment rental, overhead, and other estimated costs set forth in the approval consultant cost proposal.

The subcontractors proposed for this contract are as follows:

PDM Group
Mark Thomas and Associates
Post, Buckley, Schuh & Jernigan, Inc. (PBS&J)
BKF Engineers

The consultant is responsible for ensuring compliance with contract provisions and state and federal regulations which include, but are not limited to, ensuring that the costs proposed for this agreement are reasonable, allowable, and allocable, and that the financial management system maintained by the consultant is adequate to accumulate and segregate reasonable, allowable, and allocable costs.

Objectives, Scope, and Methodology

The scope of our audit was limited to financial and compliance activities related to the above-referenced contract proposal. Our audit consisted of verifying the proposed costs and assessing the accounting principles used and significant estimates made by the consultant, as well as evaluating compliance with the Code of Federal Regulations (CFR) 49, Part 18, and CFR 48, Chapter 1, Part 31. We reviewed the proposed agreement, interviewed applicable personnel, and performed limited tests on the consultant's financial management system and proposed costs as of

February 29, 2008. We reviewed the proposed rates for the purposes of accepting contract progress billings. Financial-management-system and cost-proposal changes subsequent to this date were not tested and, accordingly, our conclusion does not pertain to changes arising after this date.

We conducted this performance audit according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit Vali Cooper and Associates, Inc.'s financial statements and we did not audit or examine the proposed indirect rates, as a pre-award audit is significantly narrower in scope than an incurred cost audit or examination. Those financial statements and indirect cost rates were audited by other auditors whose reports have been furnished to us. Our review of Vali Cooper and Associates, Inc.'s internal controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our pre-award audit disclosed that the indirect cost rate of 153% proposed by Vali Cooper and Associates, Inc. in the contract is higher than the audited rate of 151.35% as described in the Finding and Recommendation section of this report. The contract should be amended to reflect the current indirect cost rate of 151.35%.

Views of Responsible Official

We discussed the audit results with Sybil Judd-White, Chief Financial Officer, Vali Cooper and Associates, Inc., during the exit conference held on April 2, 2008. Ms. Judd-White agreed with the audit results; therefore, a draft report is not necessary and the report will be issued as final.

Restricted Use

This report is solely for the information and use of the California Department of Transportation, Vali Cooper and Associates, Inc., and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

May 28, 2008

Finding and Recommendation

**FINDING—
Proposed indirect cost
rate is incorrect**

The consultant's proposed contract included an indirect cost rate of 153% for its project job costing for calendar year 2007. However, our review of the consultant's audited financial statements for calendar year 2007 stated that the audited indirect cost rate is 151.35%.

40 CFR, Chapter 1, Part 31.201-3(a) states "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business."

Recommendation

The consultant should amend its proposed contract to reflect the audited indirect cost rate of 151.35% instead of the proposed amount of 153%.

**State Controller's Office
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